

Tax-Based Research and Data on Nonprofit Organizations, 1975-1990

by Daniel F. Skelly

Tax-exempt organizations represent a significant and growing sector within the U.S. economy [1]. For 1990, the revenues and expenses of tax-exempt organizations each represented 10 percent of the gross domestic product (GDP), up from less than 6 percent for 1975 (Figure A). Between 1975 and 1990, assets of tax-exempt organizations increased in real terms by over 150 percent, while revenues increased by over 227 percent. This is in comparison to a growth in real GDP of 52 percent over the same period.

For 1990, there were approximately 1.4 million tax-exempt, nonprofit organizations in the "independent sector." Of these, 350,000 were churches, synagogues and other religious organizations that, although tax-exempt, were not required to register or file tax returns with the Internal Revenue Service (IRS). Of the approximately 1 million organizations registered as tax-exempt with the IRS, almost 455,000 were "nonprofit charitable organizations," exempt under Internal Revenue Code section 501(c)(3), that engaged in educational, research, scientific, religious, philanthropic, and other charitable activities [2]. The remaining organizations encompassed a vast array of voluntary and philanthropic institutions that provide a wide variety of services to the American population. These include, among others, civic leagues and social welfare organizations, business leagues, recreational and social clubs, fraternal and voluntary employees' beneficiary associations, and Federal credit unions.

Has the growth in the nonprofit sector been induced by cutbacks in Federal social programs? How has the mix of contributions received, program fees, investment income, and commercial income from unrelated activities fueled the growth in the sector? What types of organizations have exhibited the biggest growth rates and why? What role has the Government played in the growth? What policy decisions have contributed to the expansion of the sector? Tax policy issues like these can be addressed using data collected from Federal information and tax returns filed by tax-exempt organizations.

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Data from Federal information and tax returns of tax-exempt organizations are available from several sources [3]. First, the Statistics of Income (SOI) organization of the IRS, using sample data, conducts studies of tax-exempt, nonprofit organizations. Income statement, balance sheet, and other financial data, as well as a great amount of nonfinancial information, are collected in these SOI studies. The data are subject to comprehensive testing and correction procedures to ensure that they are of

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high quality. Second, the IRS collects, for administrative purposes, selected data items from all tax-exempt organization returns filed. Only limited information (for example, total assets and total receipts) is available to the public from this

administrative file. These data are subject to limited testing; thus, taxpayer filing errors may not always be corrected. Finally, current information on tax-exempt organizations can be gathered from the actual returns filed. Copies of the publicly-disclosed tax and information returns can be obtained from the IRS district office where the organization is located or through public inspection at the organization itself.

The primary purposes of this article are to document the growth in the nonprofit sector relative to the economy as a whole and to describe ongoing SOI studies of nonprofit organizations [4]. Readers interested in the specific types of information on nonprofits available through SOI will appreciate the Products and Services section of this paper.

SOI Studies of Nonprofit Organizations

Beginning in the mid-1970's, SOI again began to collect information on nonprofit organizations, including periodic studies of private foundations and other tax-exempt organizations. Since 1982, studies of private foundations and nonprofit charitable organizations have been conducted annually (except for 1984) [5]. For 1988, the study of nonprofit charitable organizations was expanded to include organizations exempt under Code section 501(c)(4)-(9). An annual study of the "unrelated business income" of tax-exempt organizations was initiated in 1987. Together, these studies provide a basis for examining the growth in the nonprofit sector of the economy.

SOI data indicate that the growth of tax-exempt organizations from 1975 to 1990 substantially exceeded the growth of the national economy as a whole (Figure B). For example, while the real GDP grew by 51 percent in

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Figure A

Total Revenue and Total Expenses as Percentages of Gross Domestic Product (GDP) for All Tax-Exempt Organizations, 1975 and 1990¹

[Money amounts are in millions of dollars.]

Tax year	Total revenue	Percentage of GDP	Total expenses	Percentage of GDP
	(1)	(2)	(3)	(4)
1975 ²	93,833	5.9	90,135	5.7
1990 ³	577,900	10.4	551,058	9.9

¹ Organizations exempt under section 501(c) of the Internal Revenue Code, including private foundations.

² Includes amounts from the 1975 Statistics of Income study of section 501(c) organizations, excluding private foundations; augmented by estimates for foundations.

³ Preliminary.

Figure B

Selected Data for Nonprofit Charitable Organizations, Except Private Foundations, in 1987 Constant Dollars

[All figures are estimates based on samples—money amounts are in millions of dollars]

Item	1975	1982	1985	1986	1987	1988	1990 ¹
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total assets	220,546	333,697	448,670	504,830	529,514	561,668	597,058
Total revenue	110,057 ²	234,255	284,311	301,840	310,766	341,334	359,978
Contributions, gifts, and grants	34,775	49,251	59,079	62,038	61,686	66,469	71,673
Dues and assessments	3,105	2,955	3,974	3,856	4,187	3,822	4,421
Program service revenue	n.a.	148,417	177,858	193,946	211,404	230,311	n.a.
Investment income	n.a.	11,302	14,758	14,296	16,192	18,543	20,062
Total expenses	104,165 ²	216,347	258,701	271,897	288,681	318,397	343,268
Program service expenses	74,737	180,988	218,850	229,003	242,188	270,975	n.a.
Gross domestic product ³	3,221,700	3,760,300	4,279,800	4,404,500	4,539,900	4,718,600	4,897,300

Selected Data for Private Foundations, in 1987 Constant Dollars

[Money amounts are in millions of dollars]

Item	1974	1979	1982	1985	1986	1987	1988	1990 ¹
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Fair market value of total assets	n.a.	68,165	75,044	102,849	116,797	114,301	124,051	142,283
Investments in securities	n.a.	n.a.	59,455	79,481	89,799	87,352	95,833	n.a.
Total revenue	7,267	9,180	10,891	17,387	20,672	17,117	15,669	16,275
Contributions received	2,710	3,484	3,197	5,786	7,382	5,285	5,070	5,465
Interest and dividends	3,151	3,696	4,499	5,117	5,312	5,577	6,213	6,903
Net gain (less loss) from sale of assets	659	1,157	2,129	5,432	7,218	5,567	3,514	3,570
Total expenses	7,100	5,398	6,962	7,671	8,539	9,072	9,389	10,705
Grants paid	4,350	4,276	5,344	5,717	6,504	7,061	7,303	n.a.
Gross domestic product ³	3,248,100	3,796,800	3,760,300	4,279,800	4,404,500	4,539,900	4,718,600	4,897,300

¹ Preliminary.

² Estimated from other data included in the SOI study of nonprofit organizations.

³ Gross Domestic Product (GDP) data are from the Economic Report of the President, Table B-2, February 1994.

⁴ This number represents the sum of "Interest on savings and temporary cash investments" and "Dividends and interest from securities."

n.a.—Not available.

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the period from 1974 to 1990, the revenue of private foundations, adjusted for inflation, increased by 124 percent. The total revenue and total expenses of nonprofit charitable organizations, excluding private foundations, each grew by more than 225 percent from 1975 to 1990, while real GDP increased by 52 percent [6]. In current dollars, total revenue and expenses of all nonprofit charitable organizations, including private foundations, grew from less than 4 percent of GDP in 1975 to nearly 8 percent in 1990 (Figure C).

Nonprofit organizations tax-exempt under Internal Revenue Code section 501(c)

The first recent study of tax-exempt organizations conducted by SOI was for 1975 and included all section 501(c) organizations, charitable as well as other nonprofit organizations, but excluded private foundations. The most recent complete SOI financial data available for nonprofit charitable organizations are for 1989 [7]. The data base is a stratified probability sample of 11,400

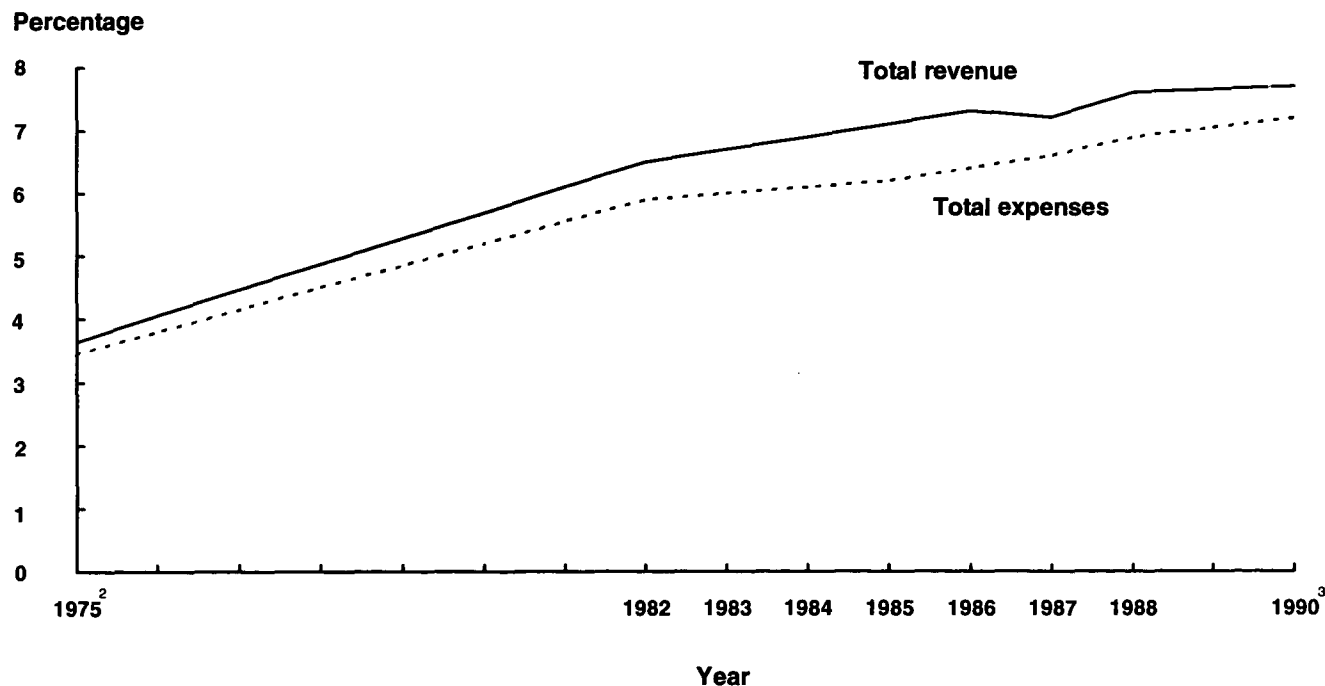
organizations that includes all nonprofit charitable organizations with \$10 million or more in assets (6,900 organizations) and 4,500 organizations with less than \$10 million in assets. These data on nonprofit charitable organizations have also been classified by type of organization, including hospitals, educational institutions, and support organizations [8]. The 1989 data for Code section 501(c)(4)-(9) organizations consist of a sample of approximately 10,800 returns selected from a population of 97,300.

Administrative Data on Nonprofits

By any measure, nonprofit charitable organizations (excluding private foundations) receiving tax-exempt status under section 501(c)(3) are the largest group of tax-exempt organizations. Based on data for 1990 from IRS administrative files, returns filed by nonprofit charitable organizations represented 53 percent of the returns filed by all organizations tax-exempt under section 501(c) and

Figure C

Internal Revenue Code Section 501(c)(3) Organizations: Total Revenue and Total Expenses as Percentages of Gross Domestic Product, 1975-1990¹



¹Includes private foundations and nonprofit charitable organizations.

²1975 data for private foundations were estimated based on 1974.

³Preliminary.

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accounted for 66 percent of the total assets reported. Between 1975 and 1990, the number of nonprofit charitable organizations grew by 25 percent.

Over the 1975 to 1990 period, in real terms, total assets of nonprofit charitable organizations grew by 171 percent while total assets of business leagues, Code section 501(c)(6); State-chartered credit unions, section 501(c)(14); certain mutual insurance companies, section 501(c)(15); and war veterans organizations, section 501(c)(19), each grew by more than 140 percent. Total revenue for nonprofit charitable organizations grew by 275 percent over this period compared to real GDP growth of 52 percent.

Total revenue for all organizations exempt under section 501(c) (excluding private foundations) reached \$560 billion for 1990, with nonprofit charitable organizations accounting for 73 percent, while voluntary employees' beneficiary associations, section 501(c)(9), and civic leagues and social welfare organizations, section 501(c)(4), ranked second and third. Total investment income was \$33.5 billion, with \$22.6 billion coming from nonprofit charities. Ranking second were State-chartered credit unions with \$3.9 billion, followed by voluntary employees' beneficiary associations with \$2.1 billion.

Total assets for all tax-exempt organizations exceeded \$1 trillion (Figure D). Nonprofit charitable organizations held 66 percent of total assets, followed by State-chartered credit unions with 12 percent.

SOI Data on Nonprofits

More detailed information on exempt organizations is available from the SOI data files. Based on data from the 1989 SOI data file, program service revenue (fees collected to administer charitable programs) was the largest component of total nonprofit charitable organization revenue for 1989, accounting for nearly two-thirds of total revenue. Program service revenue includes a broad spectrum of revenue sources, such as hospital charges for patient care (whether paid by the patient or through third-party reimbursement); tuition, fees, and day-care charges at educational institutions; admissions to museums, concerts, and other performing arts events; educational workshop fees; charges for athletic programs and housing facilities at YMCA's; and payments received for insurance and retirement coverage by pension and annuity fund companies.

However, while program service fees were the major source of revenue for the large nonprofit charities, contributions (received directly from the public or indirectly through fundraising campaigns and Government grants) comprised the major portion of the revenues of the smaller charities. For 1989, contributions represented

about 50 percent (\$15.7 billion) of the total revenue (\$27.5 billion) of organizations with assets of less than \$1 million.

Using data from its nonprofit studies, SOI has recently been able to focus its attention on nonprofit hospitals, their financial performance, and how they compare to for-profit hospitals. Nonprofit hospitals and other health-care organizations hold over 30 percent of total nonprofit charitable organization assets and earn 45 percent of total revenue. While the nonprofit hospitals, as a group, hold over five times as much in assets as the for-profit hospitals, the assets of for-profit hospitals grew over three times as fast as those of nonprofit hospitals during the 1980's. Using data collected from IRS tax returns, along with supplementary data from the American Hospital Association and the National Center for Education Statistics, SOI has recently examined comparative financial indicators for nonprofit and for-profit hospitals, such as asset and revenue growth rates, operating margins, debt-to-equity ratios, and returns on equity. The results of the analysis show that the nonprofit hospitals earned higher operating margins, had notably lower debt-to-equity ratios, and earned similar returns on equity when compared to the for-profit hospitals. However, after accounting for the nonprofit advantage of tax-exempt bond financing, the for-profit hospitals earned higher "revised" operating margins and higher "revised" returns on equity than did the nonprofits. Figures E and F show hospital operating margins for the years 1987-1989.

Private foundations

The first SOI studies of information returns filed by private foundations were for 1974 and 1979. For 1982, an annual series was started. Included in the annual samples are the returns of all private foundations with total assets (book value) of \$10 million or more (almost 1,500 returns for 1990, the most recent year for which data are available) [9]. These 1,500 returns, representing only 4 percent of the foundation population, accounted for 82 percent of the total assets of all private foundations. The returns in the remainder of the sample were randomly selected at various rates, ranging from 5.9 percent to 15.4 percent, depending on the size of the book value of total assets. For 1990, private foundations held \$164.8 billion in assets and realized \$19.5 billion in revenues.

One of the striking characteristics of foundations is the significance of investment assets as a percentage of the fair market value of total assets (Figure G). For 1990, investment assets accounted for 94.8 percent of total assets; with investments in securities alone accounting for 76.6 percent of total assets. Of the 76.6 percent, investments in corporate stock represented 48.1 percent; investments in U.S. and State Government obligations represented 19.7 per-

Figure D

Code Section 501(c)(3) Tax Exempt Organizations, Excluding Private Foundations: Number of Returns and Selected Financial Information, by Type of Organization, 1975 and 1990

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Type of organization Internal Revenue Code section 501(c) subsection ¹	Number of returns	Total assets	Total liabilities	Total revenue ²	Contributions, gifts, and grants	Gross dues and assessments	Total expenses ²
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1975							
Total.....	220,197	176,286,448	75,735,071	90,286,469	20,564,692	19,424,262	86,669,725
Corporations organized under Act of Congress (1).....	665	6,017,352	5,806,477	514,988	10,712	26,590	481,133
Title holding companies (2).....	3,263	1,650,326	852,933	405,306	22,669	22,807	400,958
Charitable, religious, educational, and scientific organizations (3).....	82,048	108,508,657	36,335,259	54,148,810	17,109,471	1,527,545	51,249,949
Civic leagues, social welfare and local associations of employees (4).....	28,064	12,727,346	9,145,790	14,700,650	680,546	8,556,313	14,841,056
Labor, agricultural and horticultural organizations (5).....	28,258	4,052,011	517,756	4,743,437	119,571	3,233,684	4,627,708
Business leagues, chambers of commerce, and real estate boards (6).....	17,530	3,468,646	1,533,241	3,217,865	230,020	2,155,722	3,220,802
Social and recreational clubs (7).....	18,228	3,379,389	1,161,802	1,899,864	31,952	1,081,785	1,888,801
Fraternal beneficiary societies (8).....	12,066	6,296,592	4,274,971	1,430,821	45,617	719,610	1,339,760
Certain mutual and beneficiary associations (9).....	4,285	4,301,564	1,507,429	4,958,124	1,925,523	1,648,112	4,841,506
Domestic fraternal societies (10).....	4,674	1,202,932	400,195	300,514	21,327	94,487	273,625
Teachers retirement fund associations (11).....	49	236,721	31,143	38,177	*5,911	*4,062	22,118
Local benevolent life insurance associations (12).....	4,975	10,723,199	8,118,740	1,965,357	16,640	154,357	1,805,488
Cemetery companies (13).....	1,518	1,044,161	221,874	180,880	5,076	1,931	154,320
State-chartered credit unions (14).....	1,610	11,156,481	5,304,101	966,615	*1,225	8,265	577,337
Certain mutual insurance companies or associations (15).....	864	115,065	6,834	56,934	*1	25,254	49,473
Farmers cooperatives organized to finance crop operations (16).....	36	214,318	158,873	51,511	*18,460	*12,123	45,763
Supplemental unemployment benefit trusts (17).....	496	292,046	76,960	425,758	244,362	65,411	610,393
Employee-funded pension trusts (18).....	*42	*112,393	880	*12,546	*6,684	*23	*8,022
War veterans organizations (19).....	1,921	167,478	30,381	88,693	6,848	23,089	81,267
Organizations not specified.....	9,605	619,773	239,436	244,171	62,078	63,092	216,529
1990							
Total.....	274,483	1,019,138,751	461,646,309	559,526,262	93,363,490	30,254,786	538,991,732
Corporations organized under Act of Congress (1).....	1	9,501	9,057	—	—	—	1,140
Title holding companies (2).....	2,634	13,238,730	2,678,973	1,714,842	55,638	31,415	676,250
Charitable, religious, educational, and scientific organizations (3).....	146,041	674,078,671	305,117,957	406,414,677	80,918,569	4,990,978	387,549,701
Civic leagues, social welfare and local associations of employees (4).....	23,098	30,959,948	21,186,898	19,053,822	1,700,786	2,019,975	18,465,150
Labor, agricultural and horticultural organizations (5).....	21,989	13,990,196	2,413,756	12,720,921	310,698	7,716,959	12,190,669
Business leagues, chambers of commerce, and real estate boards (6).....	23,916	19,395,481	11,525,202	18,423,846	1,016,425	7,722,588	18,188,157
Social and recreational clubs (7).....	15,566	9,222,228	3,010,745	3,750,009	51,427	3,484,404	5,880,650
Fraternal beneficiary societies (8).....	9,397	30,488,112	24,610,541	6,990,985	112,779	507,630	7,079,262
Certain mutual and beneficiary associations (9).....	10,224	33,446,314	11,749,215	54,587,516	4,550,623	2,653,334	53,749,610
Domestic fraternal societies (10).....	1,201	1,116,723	74,488	353,872	48,662	96,936	271,088
Teachers retirement fund associations (11).....	6	527,415	10,041	78,579	—	12,553	47,581
Local benevolent life insurance associations (12).....	3,299	41,754,694	28,548,753	10,332,493	543,391	194,071	15,092,661
Cemetery companies (13).....	1,747	3,665,667	622,495	516,792	14,180	3,724	520,156
State-chartered credit unions (14).....	1,152	119,522,430	41,981,289	11,698,822	2,349,248	152,260	7,539,145
Certain mutual insurance companies or associations (15).....	738	918,094	720,030	269,450	1,154	61,399	233,412
Farmers cooperatives organized to finance crop operations (16).....	11	265,603	217,464	21,942	109	71	19,674
Supplemental unemployment benefit trusts (17).....	247	637,948	28,175	741,445	40,741	11,822	738,879
Employee-funded pension trusts (18).....	4	851,911	10,293	105,613	—	6,027	62,777
War veterans organizations (19).....	5,005	1,237,677	195,801	432,637	49,269	97,404	612,452
Organizations not specified.....	8,207	23,811,408	6,935,136	11,317,990	1,599,791	491,236	10,073,318

¹Estimate should be used with caution because of the small number of sample returns on which it was based.

²Numbers in parentheses refer to subsections of Internal Revenue Code section 501(c).

³Total revenue and total expenses for 1975 estimated from other data included in the SOI study of nonprofit organizations (excluding private foundations).

NOTE: Detail may not add to totals because of rounding.

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Figure E

Hospital Operating Margins¹

Size of hospital ²	Median operating margins (percents)		
	1987	1988	1989
	(1)	(2)	(3)
Nonprofit			
Total.....	2.0	2.2	2.1
Small hospitals.....	1.5	1.5	1.1
Large hospitals.....	3.3	3.2	3.5
For-profit			
Total.....	1.9	-0.1	1.3
Small hospitals.....	1.9	-0.1	1.3
Large hospitals.....	-0.3	0.2	1.6

¹ Operating margin equals total revenue minus total expenses, divided by total revenue.

² Small hospitals hold less than \$50 million in assets while large hospitals hold \$50 million or more.

Figure F

"Revised" Hospital Operating Margins¹

Size of hospital ²	Median operating margins (percents)		
	1987	1988	1989
	(1)	(2)	(3)
Nonprofit			
Total.....	4.6	4.6	4.7
Small hospitals.....	3.7	3.7	3.5
Large hospitals.....	6.2	6.0	6.3
For-profit			
Total.....	5.7	3.1	4.8
Small hospitals.....	4.8	0.2	3.2
Large hospitals.....	11.5	10.6	12.0

¹ Revised operating margin equals total revenue minus total expenses (except interest expense), divided by total revenue.

² Small hospitals hold less than \$50 million in assets while large hospitals hold \$50 million or more.

cent; and investments in corporate bonds represented 8.7 percent.

Beginning with 1989 data, SOI again began collecting annual data on the charitable trusts included under Code section 4947(a)(1). These trusts have exclusively charitable interests, and, like foundations, file Form 990-PF. The trusts, which are presented separately from the foundations, represent only 6 percent of all Form 990-PF filers. For 1990, over 2,680 trusts held \$2.8 billion in total assets and realized \$270 million in total revenues.

Tax-exempt organizations' unrelated business income

In 1950, Congress imposed a tax on the income of tax-exempt organizations earned from a trade or business not substantially related to the organization's exempt purpose or function. The law's purpose was to restrict the potential for unfair competition between nonprofits and taxable for-profit businesses providing similar services. The Tax Reform Act of 1969 revised and expanded this tax on "unrelated business income." In more recent years, with Federal cutbacks in funding for social programs leading to increased fiscal pressure on exempt organizations, there has been an increased focus on the movement of exempt organizations into commercial activities and on the resulting impact of this movement on for-profit businesses.

SOI is currently collecting data on unrelated business income of tax-exempt organizations for Tax Years 1988 to 1990. Data are expected to be available by the fall of 1994.

Figure G

Percentage Distribution of Asset Components for Private Foundations, by Size of Fair Market Value of Total Assets, 1990

(Money amounts are in billions of dollars.)

Item	All foundations	Size of fair market value of total assets			
		\$1 under \$1,000,000	\$1,000,000 under \$10,000,000	\$10,000,000 under \$50,000,000	\$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)
Fair market value of assets, total.....	164.8	6.0	23.0	27.4	108.4
(Percentages of total assets)					
Cash, non-interest-bearing accounts.....	0.8	6.0	1.8	1.1	0.2
Receivables ¹	1.0	3.0	1.6	1.7	0.6
Investments, total.....	94.8	84.2	91.1	92.2	96.8
Securities.....	76.6	50.3	67.2	73.9	80.7
U.S. and State Government obligations.....	19.7	13.9	22.1	23.3	18.6
Corporate stock.....	48.1	27.7	35.3	38.3	54.5
Corporate bonds.....	8.7	8.7	9.8	12.3	7.6
Savings and temporary cash investments.....	8.4	24.3	14.7	9.6	5.9
Land, buildings, and equipment (less accumulated depreciation).....	2.1	1.6	2.4	2.2	2.1
Other investments.....	7.3	6.8	5.9	6.0	7.9
Charitable purpose land, buildings, and equipment (less accumulated depreciation).....	1.8	3.8	3.4	3.4	1.0
Other assets.....	1.5	2.9	2.0	1.5	1.3

¹Receivables include accounts receivable, pledges receivable, grants receivable, receivables due from disqualified persons and other notes and loans receivable (excluding mortgages).

NOTE: Detail may not add to 100 percent because of rounding.

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Products and Services

Information on all of SOI's nonprofit studies are published in the quarterly *Statistics of Income Bulletin*. In addition, a *Compendium of Studies of Tax-Exempt Organizations: 1974-1987* was released by SOI [10,11]. This volume is comprised of articles published in the *Statistics of Income Bulletin*, the *Proceedings of the American Statistical Association*, and the *INDEPENDENT SECTOR's Spring Research Forum Working Papers*, along with facsimiles of tax forms and instructions and previously unpublished articles and tables. A second volume in SOI's tax-exempt compendium series, with updated articles on the tax-exempt sector, was published in the fall of 1993 [12]. These compendiums represent only a portion of the available statistical information that might be of value to interested users.

Copies of the microdata tapes for foundations and charitable organizations are available for purchase from Statistics of Income. Since the returns are open to public inspection, these tapes contain identifiable records. Since tax returns on the unrelated business income of organizations are not publicly disclosed, data from Form 990-T returns are not available on tape. Special tabulations can be prepared from all three sources on a reimbursable basis.

Conclusion

SOI is responding to rapid changes in the nonprofit sector with new programs for data collection and analysis. These can be classified as follows:

- *Programs to keep pace with growth and diversity in the nonprofit sector.* SOI is responding to the rapid growth and diversity of the nonprofit sector by working to improve the classification of tax-exempt organizations. This includes recoding all of the organizations registered with IRS, based on the National Taxonomy for Exempt Entities (NTEE) coding scheme. This will allow for better information about the various segments of the nonprofit sector, and will allow the IRS to identify groupings where there is a need to improve compliance through education efforts. In addition, SOI is helping with efforts to revise the Standard Industrial Classification (SIC) coding scheme to better reflect the activities of tax-exempt organizations.
- *Programs to compare for-profit and nonprofit organizations.* SOI is considering ways to expand the scope of its current statistical programs so that it would be possible to compare

for-profit and nonprofit institutions, such as hospitals, in more systematic ways. Current comparisons of nonprofit and for-profit hospitals are a first step in this direction.

- *Programs to study the commercial income of nonprofits.* SOI has efforts underway to associate unrelated (commercial) income and income related to the exempt function of organizations. In addition, there are plans to collate information on nonprofits with their for-profit subsidiaries. This would permit an examination of organizational structures composed of different business types, such as hospitals.

Notes and References

- [1] The term "tax-exempt organizations" applies to all organizations exempt from Federal income tax under Internal Revenue Code section 501(c). Tax-exempt status is accorded by the U.S. Government to organizations that engage in charitable, religious, and certain other nonprofit activities. The exemption from Federal income tax and the deduction from income allowed to individuals and businesses contributing to section 501(c)(3) organizations have been the major incentives Congress has provided to encourage these philanthropic activities.
- [2] The Internal Revenue Code of 1986.
- [3] Tax-exempt organizations file Form 990, *Return of Organization Exempt from Income Tax*; Form 990-PF, *Return of Private Foundation*; and Form 990-T, *Exempt Organization Business Income Tax Return*.
- [4] See also Skelly, Daniel and Steuerle, Eugene, "The Nonprofit Sector and Taxes: Invaluable and Largely Untapped Research Bases," *Journal of Nonprofit Management and Leadership*, Summer 1992.
- [5] Charitable organizations exempt under Code section 501(c)(3) are hereafter referred to as "nonprofit charitable organizations."
- [6] Nonprofit charitable organizations differ from private foundations, which are also exempt under section 501(c)(3), because they derive their funds primarily from the general public.
- [7] Hilgert, Cecelia and Arnsberger, Paul, "Charitable and Other Tax-Exempt Organizations, 1988." *Statistics of Income Bulletin*, Volume 12, Number 1, Summer 1992.
- [8] Detailed financial information on these three types of

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organizations is available on an annual basis from 1982 forward (except 1984).

- [9] Riley, Margaret and Meckstroth, Alicia, "Private Foundation Returns, 1988," *Statistics of Income Bulletin*, Volume 11, Number 3, Winter 1991-1992, Internal Revenue Service, Fall 1991. See also Meckstroth, Alicia, "Analyzing the Trends Within Private Foundations," *Trusts and Estates*, August 1991, pp. 38-47.
- [10] Meckstroth, Alicia, "Providing Health Care in America: A Comparative Analysis of Nonprofit and For-profit Hospitals," *INDEPENDENT SECTOR's Spring Research Forum Working Papers*, 1993, pp. 565-582.
- [11] *Statistics of Income—Compendium of Studies of Tax-Exempt Organizations, 1974-1987*, 1991.
- [12] *Statistics of Income—Compendium of Studies of Tax-Exempt Organizations, 1986-1992*, Volume 2, Fall 1993.